

**MDS 3.0 Guidance Document**  
Department of Medical Assistance Services  
Provider Reimbursement Division  
Revised May 2017

## **Use of MDS Data in Medicaid Rate Setting**

Effective July 1, 2014, the Virginia Department of Medical Assistance Services (DMAS) began the transition to a price-based reimbursement methodology for nursing facilities. For dates of service on or after November 1, 2014, DMAS implemented this methodology and requires nursing facilities to submit Resource Utilization Group (RUG) codes on nursing facility claims. The Medicaid RUG code, determined from the federally required OBRA assessments using the Minimum Data Set (MDS) Version 3.0, identifies the acuity level and expected resources needed to provide care to the member. Each RUG code has a RUG weight or Case Mix Index (CMI) score. The RUG code weight is used to adjust the provider's direct operating rate during claims adjudication.

### **MDS 3.0**

On October 1, 2010 The Centers for Medicare and Medicaid Services (CMS) implemented MDS Version 3.0. According to CMS:

*MDS 3.0 has been designed to improve the reliability, accuracy, and usefulness of the MDS, to include the resident in the assessment process, and to use standard protocols used in other settings. These improvements have profound implications for Nursing Home and Swing Bed care and public policy. Enhanced accuracy supports the primary legislative intent that MDS be a tool to improve clinical assessment and supports the credibility of programs that rely on MDS.*

### **Medicaid Assessments using MDS 3.0**

Effective July 1, 2017, Virginia will change to RUG-IV Grouper 48, Version 1.3048, Index Maximizing Calculation and will continue to use the latest version of MDS 3.0. Providers must configure their software prior to 7/1/2017 to collect RUG-IV Grouper 48 data in the State Medicaid Billing field (Z0200). The RUGS-III, 34 Grouper, Version 5.20, Index Maximizing Calculation must be used in the Alternate State Medicaid billing field (Z0250). The Medicaid RUG grouper version will continue to be updated as determined by CMS for MDS 3.0.

For claims with dates of service between November 1, 2014 and June 30, 2017, providers should continue to use the crosswalk provided by CMS for billing RUG-III Grouper 34.

### **Effect of RUG-IV Grouper 48 and MDS 3.0 on Virginia Nursing Facility Providers**

RUG-IV Grouper 48 codes match Medicare's RUG-IV Grouper 66 non-rehabilitation RUG codes and can be used with the latest version of MDS 3.0.

Providers submitting claims for dates of service prior to July 1, 2017 should use the MDS 3.0 data as instructed by CMS in collaboration with the Virginia Department of Health (VDH). These claims should use RUG-III Grouper 34 codes and weights. DMAS does not require any additional documentation. VDH supplies DMAS with a copy of the MDS 3.0 data and the assigned RUG for the RUGS-III Grouper 34.

For RUG price-based reimbursement calculations, DMAS requires standard items collected on MDS 3.0 in addition to three items in MDS 3.0 Section S. Providers are only required to complete these items and should not complete other Section S options.

Current Primary Payer, MDS 2.0 item S1A, MDS 3.0 item S9100A

Primary Payer on Entry, MDS 2.0 item S1B, MDS 3.0 item S9100B

Date of Initial Medicaid Payment, MDS 2.0 item S2, MDS 3.0 item S9100C

Providers will be notified of future Section S changes and required items in the Fall of 2017.

### **Additional Resources**

- MDS 3.0 technical guidance, including the MDS 2.0→3.0 cross walk, can be found at: [www.cms.gov](http://www.cms.gov) → Medicare → Nursing Home Quality Initiatives → [MDS Technical Information](#).
- General questions on MDS 3.0 including submission and coding of MDS items can be addressed to the Resident Assessment Instrument (RAI) Coordinator at VDH, Cil Bullard, (804) 367-2141 or [Priscilla.Bullard@vdh.virginia.gov](mailto:Priscilla.Bullard@vdh.virginia.gov).
- Technical questions on MDS 3.0 including submission and corrections of MDS items can be addressed to the RAI/MDS Automation Coordinator at VDH, Sandy Lee, (804) 367-6636 or [sandra.lee@vdh.virginia.gov](mailto:sandra.lee@vdh.virginia.gov).
- Regulations on the use of case mix in Virginia Medicaid nursing facility reimbursement, including the listing of case mix indices, can be found at [12VAC 30-90-306](#).
- Technical information regarding MDS assessments and price-based billing for RUGs can be found in Appendix F of the Nursing Facility Provider Manual.
- Questions about nursing facility reimbursement should be submitted to [NFPayment@dmass.virginia.gov](mailto:NFPayment@dmass.virginia.gov).